



General Assembly

**Substitute Bill No. 5819**

February Session, 2008

\*        HB05819ET        031108        \*

**AN ACT CONCERNING ENERGY RELIEF AND ASSISTANCE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (Effective from passage) (a) There is hereby  
2 established and created a body politic and corporate, constituting a  
3 public instrumentality and political subdivision of the state of  
4 Connecticut established and created for the performance of an  
5 essential public and governmental function, to be known as the  
6 Connecticut Energy Authority. The authority shall not be construed to  
7 be a department, institution or agency of the state.

8       (b) The goals and objectives of such authority shall include, but not  
9 be limited to, (1) procure least-cost supply-side and demand-side  
10 resources through competitive procurement processes to meet the  
11 electricity needs of all retail customers who elect service by said  
12 authority; (2) construct and operate generation facilities; and (3) sell  
13 electricity at cost to distribution companies and to municipal electric  
14 utilities and cooperatives.

15       (c) The powers of the authority shall be vested in and exercised by a  
16 board of directors, which shall consist of seven directors as follows: (1)  
17 A representative of the environmental community, (2) the Secretary of  
18 the Office of Policy and Management, (3) the Commissioner of  
19 Environmental Protection, (4) the Consumer Counsel, (5) a director  
20 appointed by the Governor, (6) a director appointed by the president

21 pro tempore of the Senate, and (7) a director appointed by the speaker  
22 of the House of Representatives. No director may be a member of the  
23 General Assembly. The appointed directors shall serve for terms of  
24 four years each and shall have education or expertise in the area of  
25 finance or law. Any appointed director who fails to attend three  
26 consecutive meetings of the board or who fails to attend fifty per cent  
27 of all meetings of the board held during any calendar year shall be  
28 deemed to have resigned from the board. Any vacancy occurring other  
29 than by expiration of term shall be filled in the same manner as the  
30 original appointment for the balance of the unexpired term. At its first  
31 meeting, the board shall elect a chairperson.

32 (d) The chairperson shall, with the approval of the directors,  
33 appoint a president of the authority who shall be an employee of the  
34 authority and paid a salary prescribed by the directors. The president  
35 shall supervise the administrative affairs and technical activities of the  
36 authority in accordance with the directives of the board.

37 (e) Directors may engage in private employment, or in a profession  
38 or business, subject to any applicable laws, rules and regulations of the  
39 state or federal government regarding official ethics or conflict of  
40 interest.

41 (f) Four directors of the authority shall constitute a quorum for the  
42 transaction of any business or the exercise of any power of the  
43 authority. For the transaction of any business or the exercise of any  
44 power of the authority, and except as otherwise provided in sections 1  
45 to 5, inclusive, of this act, sections 16-244b, 16-244d, subsection (c) of  
46 section 16-244i, sections 16-245d and 16-245q of the general statutes,  
47 the authority shall have power to act by a majority of the directors  
48 present at any meeting at which a quorum is in attendance.

49 (g) Appointed directors may not designate a representative to  
50 perform in their absence their respective duties under sections 1 to 5,  
51 inclusive, of this act, sections 16-244b, 16-244d, subsection (c) of section

52 16-244i, sections 16-245d and 16-245q of the general statutes.

53 (h) The term "director", as used in this section, shall include such  
54 persons so designated as provided in this section and this designation  
55 shall be deemed temporary only and shall not affect any applicable  
56 civil service or retirement rights of any person so designated.

57 (i) The authority shall continue as long as it has bonds or other  
58 obligations outstanding and until its existence is terminated by law.  
59 Upon the termination of the existence of the authority, all its rights and  
60 properties shall pass to and be vested in the state of Connecticut.

61 (j) The directors and officers of the authority shall not be liable  
62 personally for damage or injury, not wanton or wilful, caused in the  
63 performance of such person's duties and within the scope of such  
64 person's employment or appointment as such director or officer.

65 Sec. 2. (NEW) (*Effective from passage*) On or before January 1, 2009,  
66 the Connecticut Energy Authority established pursuant to section 1 of  
67 this act shall issue a request for proposals for the purpose of procuring  
68 long-term electricity contracts for Connecticut citizens. The authority  
69 may, once power is procured, transfer title to such power to the electric  
70 distribution companies. The administrative costs of the contracts will  
71 be charged to ratepayers on nonbypassable charges.

72 Sec. 3. (NEW) (*Effective from passage*) The directors of the  
73 Connecticut Energy Authority shall meet at least monthly at the call of  
74 the chairperson and may meet more frequently, if necessary and  
75 desirable. The first meeting shall be held on or before October 1, 2008.  
76 The directors shall maintain at all times minutes of its meetings  
77 including the authority's considerations, deliberations, decisions and  
78 resolutions, which minutes shall be considered public records. The  
79 authority shall maintain all necessary records and data with respect to  
80 its operations and shall report annually to the Governor and the  
81 General Assembly, upon its operations. Such reports shall include, but

82 not be limited to, a report on the request for proposals, a listing of the  
83 contracts entered into for the procurement of electricity; a listing of the  
84 outstanding issues of notes and bonds of the authority and the  
85 payment status thereof; a budget showing the administrative expenses  
86 of the authority; and a report of revenues of the authority from all  
87 sources and of the redistribution of any surplus revenues. The  
88 authority shall be subject to audit by the Auditors of Public Accounts  
89 in accordance with normal auditing practices prescribed for  
90 departments, boards, commissions and other agencies of the state.

91 Sec. 4. (NEW) (*Effective from passage*) The Connecticut Energy  
92 Authority shall make the following information available to the public  
93 through the Internet, except for any such information which is not  
94 required to be disclosed to the public pursuant to the Freedom of  
95 Information Act, as defined in section 1-200 of the general statutes:

96 (1) The schedule of meetings of the board of directors of the  
97 authority and each committee established by said board, not later than  
98 seven days after such schedule is established;

99 (2) Draft minutes of each meeting of the board of directors of the  
100 authority and each committee established by said board, not later than  
101 seven days after each such meeting is held;

102 (3) An annual plan of operations, not later than seven days after the  
103 plan is promulgated;

104 (4) Each report that the authority is required to submit to the  
105 General Assembly pursuant to the general statutes, not later than  
106 seven days after the report is submitted;

107 (5) Each audit of the authority conducted by the Auditors of Public  
108 Accounts, each compliance audit of the authority's activities conducted  
109 pursuant to section 1-122 of the general statutes and each audit  
110 conducted by an independent auditing firm, not later than seven days  
111 after each such audit is received by the board of directors of the

112 authority; and

113 (6) A report on any contract between the authority and a person,  
114 other than a director, officer or employee of the authority, for the  
115 purpose of influencing any legislative or administrative action on  
116 behalf of the authority or providing legal advice to the authority. The  
117 report shall indicate for each such contract (A) the names of the parties  
118 to the contract, (B) the cost of the contract, (C) the term of the contract,  
119 (D) a summary of the services to be provided under the contract, (E)  
120 the method used by the authority to award the contract, and (F) a  
121 summary of the authority's need for the services provided under the  
122 contract. Such report shall be made available through the Internet not  
123 later than fifteen days after the contract is executed between the  
124 authority and the person.

125 Sec. 5. (NEW) (*Effective from passage*) The Connecticut Energy  
126 Authority shall have power to:

127 (1) Employ a staff and hire consultants;

128 (2) Establish offices where necessary in the state of Connecticut;

129 (3) Make and enter into any contract or agreement necessary or  
130 incidental to the performance of its duties and execution of its powers;

131 (4) Sue and be sued;

132 (5) Have a seal and alter it at pleasure;

133 (6) Make and alter bylaws and rules and regulations with respect to  
134 the exercise of its own powers;

135 (7) Conduct such hearings, examinations and investigations as may  
136 be necessary and appropriate to the conduct of its operations and the  
137 fulfillment of its responsibilities;

138 (8) Obtain access to public records and apply for the process of

139 subpoena if necessary to produce books, papers, records and other  
140 data;

141 (9) Charge reasonable fees for the services it performs and waive,  
142 suspend, reduce or otherwise modify such fees, in accordance with  
143 criteria established by the authority;

144 (10) Purchase, lease or rent such real and personal property as it  
145 may deem necessary, convenient or desirable;

146 (11) Appoint such state and local advisory councils as it may from  
147 time to time deem advisable;

148 (12) Otherwise, do all things necessary for the performance of its  
149 duties, the fulfillment of its obligations and the conduct of its  
150 operations;

151 (13) Receive and accept, from any source, aid or contributions,  
152 including money, property, labor and other things of value;

153 (14) Invest any funds not needed for immediate use or disbursement  
154 in obligations issued or guaranteed by the United States of America or  
155 the state of Connecticut and in obligations that are legal investments  
156 for savings banks in this state; and

157 (15) Adopt regular procedures for exercising its power under  
158 sections 1 to 5, inclusive, of this act, sections 16-244b, 16-244d,  
159 subsection (c) of section 16-244i, sections 16-245d and 16-245q of the  
160 general statutes, not in conflict with other provisions of the general  
161 statutes.

162 Sec. 6. Section 16-244c of the 2008 supplement to the general statutes  
163 is repealed and the following is substituted in lieu thereof (*Effective*  
164 *from passage*):

165 (a) (1) On and after January 1, 2000, each electric distribution  
166 company shall make available to all customers in its service area, the

167 provision of electric generation and distribution services through a  
168 standard offer. Under the standard offer, a customer shall receive  
169 electric services at a rate established by the Department of Public  
170 Utility Control pursuant to subdivision (2) of this subsection. Each  
171 electric distribution company shall provide electric generation services  
172 in accordance with such option to any customer who affirmatively  
173 chooses to receive electric generation services pursuant to the standard  
174 offer or does not or is unable to arrange for or maintain electric  
175 generation services with an electric supplier. The standard offer shall  
176 automatically terminate on January 1, 2004. While providing electric  
177 generation services under the standard offer, an electric distribution  
178 company may provide electric generation services through any of its  
179 generation entities or affiliates, provided such entities or affiliates are  
180 licensed pursuant to section 16-245.

181 (2) Not later than October 1, 1999, the Department of Public Utility  
182 Control shall establish the standard offer for each electric distribution  
183 company, effective January 1, 2000, which shall allocate the costs of  
184 such company among electric transmission and distribution services,  
185 electric generation services, the competitive transition assessment and  
186 the systems benefits charge. The department shall hold a hearing that  
187 shall be conducted as a contested case in accordance with chapter 54 to  
188 establish the standard offer. The standard offer shall provide that the  
189 total rate charged under the standard offer, including electric  
190 transmission and distribution services, the conservation and load  
191 management program charge described in section 16-245m of the 2008  
192 supplement to the general statutes, the renewable energy investment  
193 charge described in section 16-245n of the 2008 supplement to the  
194 general statutes, electric generation services, the competitive transition  
195 assessment and the systems benefits charge shall be at least ten per  
196 cent less than the base rates, as defined in section 16-244a, in effect on  
197 December 31, 1996. The standard offer shall be adjusted to the extent of  
198 any increase or decrease in state taxes attributable to sections 12-264  
199 and 12-265 and any other increase or decrease in state or federal taxes

200 resulting from a change in state or federal law and shall continue to be  
201 adjusted during such period pursuant to section 16-19b.  
202 Notwithstanding the provisions of section 16-19b, the provisions of  
203 said section 16-19b shall apply to electric distribution companies. The  
204 standard offer may be adjusted, by an increase or decrease, to the  
205 extent approved by the department, in the event that (A) the revenue  
206 requirements of the company are affected as the result of changes in (i)  
207 legislative enactments other than public act 98-28\*, (ii) administrative  
208 requirements, or (iii) accounting standards occurring after July 1, 1998,  
209 provided such accounting standards are adopted by entities  
210 independent of the company that have authority to issue such  
211 standards, or (B) an electric distribution company incurs extraordinary  
212 and unanticipated expenses required for the provision of safe and  
213 reliable electric service to the extent necessary to provide such service.  
214 Savings attributable to a reduction in taxes shall not be shifted between  
215 customer classes.

216 (3) The price reduction provided in subdivision (2) of this  
217 subsection shall not apply to customers who, on or after July 1, 1998,  
218 are purchasing electric services from an electric company or electric  
219 distribution company, as the case may be, under a special contract or  
220 flexible rate tariff, and the company's filed standard offer tariffs shall  
221 reflect that such customers shall not receive the standard offer price  
222 reduction.

223 (b) (1) (A) On and after January 1, 2004, each electric distribution  
224 company shall make available to all customers in its service area, the  
225 provision of electric generation and distribution services through a  
226 transitional standard offer. Under the transitional standard offer, a  
227 customer shall receive electric services at a rate established by the  
228 Department of Public Utility Control pursuant to subdivision (2) of  
229 this subsection. Each electric distribution company shall provide  
230 electric generation services in accordance with such option to any  
231 customer who affirmatively chooses to receive electric generation

232 services pursuant to the transitional standard offer or does not or is  
233 unable to arrange for or maintain electric generation services with an  
234 electric supplier. The transitional standard offer shall terminate on  
235 December 31, 2006. While providing electric generation services under  
236 the transitional standard offer, an electric distribution company may  
237 provide electric generation services through any of its generation  
238 entities or affiliates, provided such entities or affiliates are licensed  
239 pursuant to section 16-245.

240 (B) The department shall conduct a proceeding to determine  
241 whether a practical, effective, and cost-effective process exists under  
242 which an electric customer, when initiating electric service, may  
243 receive information regarding selecting electric generating services  
244 from a qualified entity. The department shall complete such  
245 proceeding on or before December 1, 2005, and shall implement the  
246 resulting decision on or before March 1, 2006, or on such later date that  
247 the department considers appropriate. An electric distribution  
248 company's costs of participating in the proceeding and implementing  
249 the results of the department's decision shall be recoverable by the  
250 company as generation services costs through an adjustment  
251 mechanism as approved by the department.

252 (2) (A) Not later than December 15, 2003, the Department of Public  
253 Utility Control shall establish the transitional standard offer for each  
254 electric distribution company, effective January 1, 2004.

255 (B) The department shall hold a hearing that shall be conducted as a  
256 contested case in accordance with chapter 54 to establish the  
257 transitional standard offer. The transitional standard offer shall  
258 provide that the total rate charged under the transitional standard  
259 offer, including electric transmission and distribution services, the  
260 conservation and load management program charge described in  
261 section 16-245m of the 2008 supplement to the general statutes, the  
262 renewable energy investment charge described in section 16-245n of  
263 the 2008 supplement to the general statutes, electric generation

264 services, the competitive transition assessment and the systems  
265 benefits charge, and excluding federally mandated congestion costs,  
266 shall not exceed the base rates, as defined in section 16-244a, in effect  
267 on December 31, 1996, excluding any rate reduction ordered by the  
268 department on September 26, 2002.

269 (C) (i) Each electric distribution company shall, on or before January  
270 1, 2004, file with the department an application for an amendment of  
271 rates pursuant to section 16-19, which application shall include a four-  
272 year plan for the provision of electric transmission and distribution  
273 services. The department shall conduct a contested case proceeding  
274 pursuant to sections 16-19 and 16-19e of the 2008 supplement to the  
275 general statutes to approve, reject or modify the application and plan.  
276 Upon the approval of such plan, as filed or as modified by the  
277 department, the department shall order that such plan shall establish  
278 the electric transmission and distribution services component of the  
279 transitional standard offer.

280 (ii) Notwithstanding the provisions of this subparagraph, an electric  
281 distribution company that, on or after September 1, 2002, completed a  
282 proceeding pursuant to sections 16-19 and 16-19e of the 2008  
283 supplement to the general statutes, shall not be required to file an  
284 application for an amendment of rates as required by this  
285 subparagraph. The department shall establish the electric transmission  
286 and distribution services component of the transitional standard offer  
287 for any such company equal to the electric transmission and  
288 distribution services component of the standard offer established  
289 pursuant to subsection (a) of this section in effect on July 1, 2003, for  
290 such company. If such electric distribution company applies to the  
291 department, pursuant to section 16-19, for an amendment of its rates  
292 on or before December 31, 2006, the application of the electric  
293 distribution company shall include a four-year plan.

294 (D) The transitional standard offer (i) shall be adjusted to the extent  
295 of any increase or decrease in state taxes attributable to sections 12-264

296 and 12-265 and any other increase or decrease in state or federal taxes  
297 resulting from a change in state or federal law, (ii) shall be adjusted to  
298 provide for the cost of contracts under subdivision (2) of subsection (j)  
299 of this section and the administrative costs for the procurement of such  
300 contracts, and (iii) shall continue to be adjusted during such period  
301 pursuant to section 16-19b. Savings attributable to a reduction in taxes  
302 shall not be shifted between customer classes. Notwithstanding the  
303 provisions of section 16-19b, the provisions of section 16-19b shall  
304 apply to electric distribution companies.

305 (E) The transitional standard offer may be adjusted, by an increase  
306 or decrease, to the extent approved by the department, in the event  
307 that (i) the revenue requirements of the company are affected as the  
308 result of changes in (I) legislative enactments other than public act 03-  
309 135\* or public act 98-28\*, (II) administrative requirements, or (III)  
310 accounting standards adopted after July 1, 2003, provided such  
311 accounting standards are adopted by entities that are independent of  
312 the company and have authority to issue such standards, or (ii) an  
313 electric distribution company incurs extraordinary and unanticipated  
314 expenses required for the provision of safe and reliable electric service  
315 to the extent necessary to provide such service.

316 (3) The price provided in subdivision (2) of this subsection shall not  
317 apply to customers who, on or after July 1, 2003, purchase electric  
318 services from an electric company or electric distribution company, as  
319 the case may be, under a special contract or flexible rate tariff,  
320 provided the company's filed transitional standard offer tariffs shall  
321 reflect that such customers shall not receive the transitional standard  
322 offer price during the term of said contract or tariff.

323 (4) (A) In addition to its costs received pursuant to subsection (h) of  
324 this section, as compensation for providing transitional standard offer  
325 service, each electric distribution company shall receive an amount  
326 equal to five-tenths of one mill per kilowatt hour. Revenues from such  
327 compensation shall not be included in calculating the electric

328 distribution company's earnings for purposes of, or in determining  
329 whether its rates are just and reasonable under, sections 16-19, 16-19a  
330 and 16-19e of the 2008 supplement to the general statutes, including an  
331 earnings sharing mechanism. In addition, each electric distribution  
332 company may earn compensation for mitigating the prices of the  
333 contracts for the provision of electric generation services, as provided  
334 in subdivision (2) of this subsection.

335 (B) The department shall conduct a contested case proceeding  
336 pursuant to the provisions of chapter 54 to establish an incentive plan  
337 for the procurement of long-term contracts for transitional standard  
338 offer service by an electric distribution company. The incentive plan  
339 shall be based upon a comparison of the actual average firm full  
340 requirements service contract price for electricity obtained by the  
341 electric distribution company compared to the regional average firm  
342 full requirements service contract price for electricity, adjusted for such  
343 variables as the department deems appropriate, including, but not  
344 limited to, differences in locational marginal pricing. If the actual  
345 average firm full requirements service contract price obtained by the  
346 electric distribution company is less than the actual regional average  
347 firm full requirements service contract price for the previous year, the  
348 department shall split five-tenths of one mill per kilowatt hour equally  
349 between ratepayers and the company. Revenues from such incentive  
350 plan shall not be included in calculating the electric distribution  
351 company's earnings for purposes of, or in determining whether its  
352 rates are just and reasonable under sections 16-19, 16-19a and 16-19e of  
353 the 2008 supplement to the general statutes. The department may, as it  
354 deems necessary, retain a third party entity with expertise in energy  
355 procurement to assist with the development of such incentive plan.

356 (c) (1) On and after January 1, 2007, each electric distribution  
357 company shall provide electric generation services through standard  
358 service to any customer who (A) does not arrange for or is not  
359 receiving electric generation services from an electric supplier, and (B)

360 does not use a demand meter or has a maximum demand of less than  
361 five hundred kilowatts.

362 (2) Not later than October 1, 2006, and [periodically as required by  
363 subdivision (3) of this subsection, but not more often than every  
364 calendar quarter] annually thereafter, the Department of Public Utility  
365 Control shall establish the standard service price for such customers  
366 pursuant to [subdivision (3) of] this subsection, except the department  
367 may adjust the price more frequently if it determines that such  
368 adjustment would be in the best interest of ratepayers, but no more  
369 than once every six months. Each electric distribution company shall  
370 recover the actual net costs of procuring and providing electric  
371 generation services pursuant to this subsection, provided such  
372 company mitigates the costs it incurs for the procurement of electric  
373 generation services for customers who are no longer receiving service  
374 pursuant to this subsection.

375 (3) On or before August 1, 2008, the electric distribution companies  
376 shall file with the Department of Public Utility Control a proposal to  
377 establish principles and standards that shall govern the manner in  
378 which the companies enter into, and the department reviews and  
379 grants approval to, bilateral contracts to provide standard service  
380 supply. The department, in consultation with the Office of Consumer  
381 Counsel, shall conduct a contested case proceeding to approve, modify  
382 or reject such proposal. No electric distribution company may initiate  
383 any bilateral negotiations for standard service contracts before the  
384 department's adoption of the principles and standards required  
385 pursuant to this section.

386 [(3) An] (4) Until December 31, 2008, an electric distribution  
387 company providing electric generation services pursuant to this  
388 subsection shall mitigate the variation of the price of the service  
389 offered to its customers by procuring electric generation services  
390 contracts in the manner prescribed in a plan approved by the  
391 department. Such plan shall require the procurement of a portfolio of

392 service contracts sufficient to meet the projected load of the electric  
393 distribution company. Such plan shall require that the portfolio of  
394 service contracts be procured in an overlapping pattern of fixed  
395 periods at such times and in such manner and duration as the  
396 department determines to be most likely to produce just, reasonable  
397 and reasonably stable retail rates while reflecting underlying  
398 wholesale market prices over time. The portfolio of contracts shall be  
399 assembled in such manner as to invite competition; guard against  
400 favoritism, improvidence, extravagance, fraud and corruption; and  
401 secure a reliable electricity supply while avoiding unusual, anomalous  
402 or excessive pricing. The portfolio of contracts procured under such  
403 plan shall be for terms of not less than six months, provided contracts  
404 for shorter periods may be procured under such conditions as the  
405 department shall prescribe to (A) ensure for end-use customers the  
406 lowest rates possible, [for end-use customers] giving due consideration  
407 to risk and amount of volatility in the overall rates; (B) ensure reliable  
408 service under extraordinary circumstances; and (C) ensure the prudent  
409 management of the contract portfolio. An electric distribution  
410 company may receive a bid for an electric generation services contract  
411 from any of its generation entities or affiliates, provided such  
412 generation entity or affiliate submits its bid the business day preceding  
413 the first day on which an unaffiliated electric supplier may submit its  
414 bid and further provided the electric distribution company and the  
415 generation entity or affiliate are in compliance with the code of  
416 conduct established in section 16-244h.

417 [(4) The] (5) On and after January 1, 2009, an electric distribution  
418 company providing electric generation services pursuant to this  
419 subsection shall mitigate the variation of the price of the service  
420 offered to its customers by procuring electric generation services in the  
421 manner prescribed in a standard service procurement plan approved  
422 by the department. Such plan shall be consistent with the resource  
423 procurement plan approved pursuant to this section, when available,  
424 and shall specify the method for purchasing power for standard

425 service, and may require the electric distribution company to (A)  
426 procure load following full requirements service contracts in a manner  
427 similar to that pursuant to subdivision (3) of this subsection; (B)  
428 procure individual electric supply components directly from a supplier  
429 or generator, including, but not limited to, base load, intermediate and  
430 peaking energy resource, capacity and other power supply services,  
431 using both requests for proposals and bilateral contracts outside the  
432 request for proposal process; and (C) procure physical and financial  
433 hedges to manage prices, including, but not limited to, tolling  
434 arrangements and financial transmission rights. Such plan shall  
435 describe how an electric distribution company shall, over time,  
436 transition to its new supply aggregation role as described in this  
437 section from the current method of procuring power supply pursuant  
438 to subdivision (4) of this subsection to a mix of the procurement  
439 options described in this section. Once its procurement plan has been  
440 approved by the department, an electric distribution company shall be  
441 allowed to manage the power supply portfolio on a real-time basis,  
442 thereby enabling it to optimize supply for the benefit of customers. The  
443 department shall set standard service rates annually by combining the  
444 costs of the arrangements undertaken under the procurement plan,  
445 provided such rates will be trued up to actual revenues and expenses  
446 twice per year, with any over or under recovery being included in  
447 either the current period or subsequent standard service rate, as  
448 determined by the department. An electric distribution company shall  
449 be entitled to collect the reasonable costs it incurs to provide such  
450 service.

451 (6) In approving the plans pursuant to subdivisions (4) and (5) of  
452 this subsection, the department, in consultation with the Office of  
453 Consumer Counsel, shall retain the services of a third-party entity with  
454 expertise in the area of energy procurement to oversee the initial  
455 development of the request for proposals and the procurement of  
456 contracts by an electric distribution company for the provision of  
457 electric generation services offered pursuant to this subsection. Costs

458 associated with the retention of such third-party entity shall be  
459 included in the cost of electric generation services that is included in  
460 such price.

461 [(5) Each] (7) For resources acquired pursuant to a request for  
462 proposal process, each bidder for a standard service contract shall  
463 submit its bid to the electric distribution company and the third-party  
464 entity who shall jointly review the bids, conduct an analysis of the cost  
465 of such proposal and submit an overview of all bids together with a  
466 joint recommendation to the department as to the preferred bidders.  
467 The department shall make available to the Office of Consumer  
468 Counsel and the Attorney General all bids it receives pursuant to this  
469 subsection, provided the bids and any analysis of such bids shall not  
470 be subject to disclosure under the Freedom of Information Act for a  
471 period of three months. The department may, [within ten] not later  
472 than two business days of submission of the overview, reject the  
473 recommendation regarding preferred bidders. In the event that the  
474 department rejects the preferred bids, the electric distribution  
475 company and the third-party entity shall rebid the service pursuant to  
476 this subdivision. For other resources acquired by an electric  
477 distribution company pursuant to subdivision (5) of this subsection,  
478 such company shall submit information on such acquisitions to the  
479 department as shall be specified in the procurement plan.

480 (8) Upon approval of the preferred bids by the department, the  
481 respective electric distribution company shall enter into contracts with  
482 approved bidders. The department shall approve or reject such  
483 contracts not later than seven calendar days after such contracts are  
484 entered into, but can extend such period an additional seven days with  
485 the consent of all parties.

486 (9) Not later than October 1, 2009, and biennially thereafter, the  
487 department shall conduct a contested case proceeding in accordance  
488 with chapter 54 to review the efficacy of the process of procuring  
489 contracts pursuant to this subsection including as assessment of the

490 extent to which the standards set forth in this section are met.

491 (d) (1) [Notwithstanding] Not later than January 1, 2009, and on a  
492 continuing basis, notwithstanding the provisions of this section  
493 regarding the electric generation services component of the transitional  
494 standard offer or the procurement of electric generation services under  
495 standard service, section 16-244h or 16-245o, the Department of Public  
496 Utility Control [may, from time to time, direct an electric distribution  
497 company] shall direct the electric distribution companies to offer,  
498 through an electric supplier or electric suppliers, [before January 1,  
499 2007, one or more alternative transitional standard offer options or, on  
500 or after January 1, 2007,] one or more [alternative standard] renewable  
501 service options. Such [alternative] renewable service options shall  
502 include, but not be limited to, an option that consists of the provision  
503 of electric generation services that exceed the renewable portfolio  
504 standards established in section 16-245a of the 2008 supplement to the  
505 general statutes and an option that allows consumers to purchase  
506 renewable energy directly and may include an option that utilizes  
507 strategies or technologies that reduce the overall consumption of  
508 electricity of the customer.

509 (2) (A) The department shall develop such [alternative] renewable  
510 service option or options in [a contested case] contested cases, as  
511 necessary, conducted in accordance with the provisions of chapter 54.  
512 The department shall determine the terms and conditions of such  
513 alternative option or options, including, but not limited to, (i) the  
514 minimum contract terms, including pricing, length and termination of  
515 the contract, and (ii) the minimum percentage of electricity derived  
516 from Class I or Class II renewable energy sources, if applicable. The  
517 electric distribution [company] companies shall, under the supervision  
518 of the department, subsequently conduct a bidding process in order to  
519 solicit electric suppliers to provide such [alternative] renewable service  
520 option or options.

521 (B) The department may reject some or all of the bids received

522 pursuant to the bidding process.

523 (3) The department may require an electric supplier to provide  
524 forms of assurance to satisfy the department that the contracts  
525 resulting from the bidding process will be fulfilled.

526 (4) An electric supplier who fails to fulfill its contractual obligations  
527 resulting from this subdivision shall be subject to civil penalties, in  
528 accordance with the provisions of section 16-41 of the 2008 supplement  
529 to the general statutes, or the suspension or revocation of such  
530 supplier's license or a prohibition on the acceptance of new customers,  
531 following a hearing that is conducted as a contested case, in  
532 accordance with the provisions of chapter 54.

533 (e) (1) On and after January 1, 2007, an electric distribution company  
534 shall serve customers that are not eligible to receive standard service  
535 pursuant to subsection (c) of this section as the supplier of last resort.  
536 This subsection shall not apply to customers purchasing power under  
537 contracts entered into pursuant to section 16-19hh.

538 (2) An electric distribution company shall procure electricity at least  
539 every calendar quarter to provide electric generation services to  
540 customers pursuant to this subsection. The Department of Public  
541 Utility Control shall determine a price for such customers that reflects  
542 the full cost of providing the electricity on a monthly basis and that is  
543 consistent with the approved procurement and deployment plan  
544 pursuant to this section or, on an alternative basis as determined  
545 pursuant to subdivision (3) of this subsection. Each electric distribution  
546 company shall recover the actual net costs of procuring and providing  
547 electric generation services pursuant to this subsection, provided such  
548 company mitigates the costs it incurs for the procurement of electric  
549 generation services for customers that are no longer receiving service  
550 pursuant to this subsection.

551 (3) On and after July 1, 2008, the Department of Public Utility

552 Control may conduct a contested case proceeding to study the  
553 frequency with which it should determine that price for supplier of last  
554 resort service.

555 (f) On and after January 1, 2000, and until such time the regional  
556 independent system operator implements procedures for the provision  
557 of back-up power to the satisfaction of the Department of Public Utility  
558 Control, each electric distribution company shall provide electric  
559 generation services to any customer who has entered into a service  
560 contract with an electric supplier that fails to provide electric  
561 generation services for reasons other than the customer's failure to pay  
562 for such services. Between January 1, 2000, and December 31, 2006, an  
563 electric distribution company may procure electric generation services  
564 through a competitive bidding process or through any of its generation  
565 entities or affiliates. On and after January 1, 2007, such company shall  
566 procure electric generation services through a competitive bidding  
567 process pursuant to a plan submitted by the electric distribution  
568 company and approved by the department. Such company may  
569 procure electric generation services through any of its generation  
570 entities or affiliates, provided such entity or affiliate is the lowest  
571 qualified bidder and provided further any such entity or affiliate is  
572 licensed pursuant to section 16-245.

573 (g) An electric distribution company is not required to be licensed  
574 pursuant to section 16-245 to provide standard offer electric generation  
575 services in accordance with subsection (a) of this section, transitional  
576 standard offer service pursuant to subsection (b) of this section,  
577 standard service pursuant to subsection (c) of this section, supplier of  
578 last resort service pursuant to subsection (e) of this section or back-up  
579 electric generation service pursuant to subsection (f) of this section.

580 (h) The electric distribution company shall be entitled to recover  
581 reasonable costs incurred as a result of providing standard offer  
582 electric generation services pursuant to the provisions of subsection (a)  
583 of this section, transitional standard offer service pursuant to

584 subsection (b) of this section, standard service pursuant to subsection  
585 (c) of this section or back-up electric generation service pursuant to  
586 subsection (f) of this section. The provisions of this section and section  
587 16-244a shall satisfy the requirements of section 16-19a until January 1,  
588 2007.

589 (i) The Department of Public Utility Control shall establish, by  
590 regulations adopted pursuant to chapter 54, procedures for when and  
591 how a customer is notified that his electric supplier has defaulted and  
592 of the need for the customer to choose a new electric supplier within a  
593 reasonable period of time.

594 (j) (1) Notwithstanding the provisions of subsection (d) of this  
595 section regarding [an alternative transitional standard offer option or  
596 an alternative standard] a renewable service option, an electric  
597 distribution company providing transitional standard offer service,  
598 standard service, supplier of last resort service or back-up electric  
599 generation service in accordance with this section shall contract with  
600 its wholesale suppliers to comply with the renewable portfolio  
601 standards. The Department of Public Utility Control shall annually  
602 conduct a contested case, in accordance with the provisions of chapter  
603 54, in order to determine whether the electric distribution company's  
604 wholesale suppliers met the renewable portfolio standards during the  
605 preceding year. An electric distribution company shall include a  
606 provision in its contract with each wholesale supplier that requires the  
607 wholesale supplier to pay the electric distribution company an amount  
608 of five and one-half cents per kilowatt hour if the wholesale supplier  
609 fails to comply with the renewable portfolio standards during the  
610 subject annual period. The electric distribution company shall  
611 promptly transfer any payment received from the wholesale supplier  
612 for the failure to meet the renewable portfolio standards to the  
613 Renewable Energy Investment Fund for the development of Class I  
614 renewable energy sources. Any payment made pursuant to this section  
615 shall not be considered revenue or income to the electric distribution

616 company.

617 (2) Notwithstanding the provisions of subsection (d) of this section  
618 regarding [an alternative transitional standard offer option or an  
619 alternative standard] a renewable service option, an electric  
620 distribution company providing transitional standard offer service,  
621 standard service, supplier of last resort service or back-up electric  
622 generation service in accordance with this section shall, not later than  
623 July 1, 2008, file with the Department of Public Utility Control for its  
624 approval one or more long-term power purchase contracts from Class I  
625 renewable energy source projects that receive funding from the  
626 Renewable Energy Investment Fund and that are not less than one  
627 megawatt in size, at a price that is either, at the determination of the  
628 project owner, (A) not more than the total of the comparable wholesale  
629 market price for generation plus five and one-half cents per kilowatt  
630 hour, or (B) fifty per cent of the wholesale market electricity cost at the  
631 point at which transmission lines intersect with each other or interface  
632 with the distribution system, plus the project cost of fuel indexed to  
633 natural gas futures contracts on the New York Mercantile Exchange at  
634 the natural gas pipeline interchange located in Vermillion Parish,  
635 Louisiana that serves as the delivery point for such futures contracts,  
636 plus the fuel delivery charge for transporting fuel to the project, plus  
637 five and one-half cents per kilowatt hour. The department shall  
638 approve or reject any such contract not later than thirty calendar days  
639 after such contract is filed, unless the department determines before  
640 the expiration of that period that additional time is needed, but in no  
641 event longer than a total of sixty days. If the department does not issue  
642 a decision within sixty calendar days, the contract shall be deemed to  
643 have been approved. In its approval of such contracts, the department  
644 shall give preference to purchase contracts from those projects that  
645 would provide a financial benefit to ratepayers or would enhance the  
646 reliability of the electric transmission system of the state. Such projects  
647 shall be located in this state. The owner of a fuel cell project principally  
648 manufactured in this state shall be allocated all available air emissions

649 credits and tax credits attributable to the project and no less than fifty  
650 per cent of the energy credits in the Class I renewable energy credits  
651 program established in section 16-245a of the 2008 supplement to the  
652 general statutes attributable to the project. On and after October 1,  
653 2007, and until September 30, 2008, such contracts shall be comprised  
654 of not less than a total, apportioned among each electric distribution  
655 company, of one hundred twenty-five megawatts; and on and after  
656 October 1, 2008, such contracts shall be comprised of not less than a  
657 total, apportioned among each electrical distribution company, of one  
658 hundred fifty megawatts. The cost of such contracts and the  
659 administrative costs for the procurement of such contracts directly  
660 incurred shall be eligible for inclusion in the adjustment to the  
661 transitional standard offer as provided in this section and any  
662 subsequent rates for standard service, provided such contracts are for a  
663 period of time sufficient to provide financing for such projects, but not  
664 less than ten years, and are for projects which began operation on or  
665 after July 1, 2003. Except as provided in this subdivision, the amount  
666 from Class I renewable energy sources contracted under such contracts  
667 shall be applied to reduce the applicable Class I renewable energy  
668 source portfolio standards. For purposes of this subdivision, the  
669 department's determination of the comparable wholesale market price  
670 for generation shall be based upon a reasonable estimate. On or before  
671 September 1, 2007, the department, in consultation with the Office of  
672 Consumer Counsel and the Renewable Energy Investments Advisory  
673 Council, shall study the operation of such renewable energy contracts  
674 and report its findings and recommendations to the joint standing  
675 committee of the General Assembly having cognizance of matters  
676 relating to energy.

677 (k) (1) As used in this section:

678 (A) "Participating electric supplier" means an electric supplier that is  
679 licensed by the department to provide electric service, pursuant to this  
680 subsection, to residential or small commercial customers.

681 (B) "Residential customer" means a customer who is eligible for  
682 standard service and who takes electric distribution-related service  
683 from an electric distribution company pursuant to a residential tariff.

684 (C) "Small commercial customer" means a customer who is eligible  
685 for standard service and who takes electric distribution-related service  
686 from an electric distribution company pursuant to a small commercial  
687 tariff.

688 (D) "Qualifying electric offer" means an offer to provide full  
689 requirements commodity electric service and all other generation-  
690 related service to a residential or small commercial customer at a fixed  
691 price per kilowatt hour for a term of no less than one year.

692 (2) In the manner determined by the department, residential or  
693 small commercial service customers (A) initiating new utility service,  
694 (B) reinitiating service following a change of residence or business  
695 location, (C) making an inquiry regarding their utility rates, or (D)  
696 seeking information regarding energy efficiency shall be offered the  
697 option to learn about their ability to enroll with a participating electric  
698 supplier. Customers expressing an interest to learn about their electric  
699 supply options shall be informed of the qualifying electric offers then  
700 available from participating electric suppliers. The electric distribution  
701 companies shall describe then available qualifying electric offers  
702 through a method reviewed and approved by the department. The  
703 information conveyed to customers expressing an interest to learn  
704 about their electric supply options shall include, at a minimum, the  
705 price and term of the available electric supply option. Customers  
706 expressing an interest in a particular qualifying electric offer shall be  
707 immediately transferred to a call center operated by that participating  
708 electric supplier.

709 (3) Not later than September 1, 2007, the department shall establish  
710 terms and conditions under which a participating electric supplier can  
711 be included in the referral program described in subdivision (2) of this

712 subsection. Such terms shall include, but not be limited to, requiring  
713 participating electrical suppliers to offer time-of-use and real-time use  
714 rates to residential customers.

715 (4) Each calendar quarter, participating electric suppliers shall be  
716 allowed to list qualifying offers to provide electric generation service  
717 to residential and small commercial customers with each customer's  
718 utility bill. The department shall determine the manner such  
719 information is presented in customers' utility bills.

720 (5) Any customer that receives electric generation service from a  
721 participating electric supplier may return to standard service or may  
722 choose another participating electric supplier at any time, including  
723 during the qualifying electric offer, without the imposition of any  
724 additional charges. Any customer that is receiving electric generation  
725 service from an electric distribution company pursuant to standard  
726 service can switch to another participating electric supplier at any time  
727 without the imposition of additional charges.

728 (l) Each electric distribution company shall offer to bill customers on  
729 behalf of participating electric suppliers and to pay such suppliers in a  
730 timely manner the amounts due such suppliers from customers for  
731 generation services, less a percentage of such amounts that reflects  
732 uncollectible bills and overdue payments as approved by the  
733 Department of Public Utility Control.

734 (m) On or before July 1, 2007, the Department of Public Utility  
735 Control shall initiate a proceeding to examine whether electric supplier  
736 bills rendered pursuant to section 16-245d and any regulations  
737 adopted thereunder sufficiently enable customers to compare pricing  
738 policies and charges among electric suppliers.

739 (n) Nothing in the provisions of this section shall preclude an  
740 electric distribution company from entering into standard service  
741 supply contracts or standard service supply components with electric

742 generating facilities.

743       Sec. 7. (NEW) (*Effective from passage*) (a) The Department of Public  
744 Utility Control shall conduct a contested case proceeding to develop  
745 and issue a request for proposals to solicit the development of demand  
746 response, efficiency and load management and new, expanded or  
747 repowered cost-of-service generation to address any deficiencies or  
748 needs identified in the assessment prepared pursuant to section 16a-3a  
749 of the 2008 supplement to the general statutes. A person that is not an  
750 electric distribution company submitting a proposal pursuant to this  
751 subsection shall include draft contracts containing information  
752 required by subsection (d) of this section in its submission, with  
753 compensation based exclusively on cost-of-service. An electric  
754 distribution company submitting a proposal or proposals pursuant to  
755 this subsection shall only recover up to the reasonable level of any  
756 costs of construction of such facility. An electric distribution company,  
757 in an annual retail generation rate contested case, shall be entitled to  
758 recover its prudently incurred costs of such project, including, but not  
759 limited to, capital costs, operation and maintenance expenses,  
760 depreciation, fuel costs, taxes and other governmental charges and a  
761 reasonable rate of return on equity. The department shall review such  
762 recovery of costs consistent with the principles set forth in sections 16-  
763 19, 16-19b and 16-19e of the general statutes, provided the return on  
764 equity associated with such project shall be established in the initial  
765 annual contested case proceeding under this subsection and updated  
766 at least once every four years. The department may retain a third-party  
767 consultant to help determine whether projected costs submitted by an  
768 electric distribution company are reasonable preliminary estimates or  
769 whether the department should reject or require modification of any  
770 proposals that do not reflect reasonable estimates. The department  
771 may request that a person submitting a proposal submit further  
772 information that the department determines to be in the public  
773 interest, which the department may use in evaluating the proposal.  
774 The department shall approve contracts consistent with the principles

775 set forth in sections 16-19, 16-19b and 16-19e of the general statutes.  
776 The department shall reject proposals that are not in the best interests  
777 of customers.

778 (b) The Department of Public Utility Control shall evaluate  
779 proposals received pursuant to subsection (a) of this section and may  
780 approve one or more of such proposals. The department shall evaluate  
781 the proposals based on an analysis of the expected costs and benefits of  
782 the proposals, consistency with environmental sustainability,  
783 reduction and stabilization of electric rates, the promotion of fuel  
784 diversity and the reduction or overall minimization of increases in  
785 greenhouse gas emissions. The department shall only approve such  
786 proposals that have expected benefits in excess of expected costs and  
787 are in the best long-term interest of the customers of the state. All  
788 proposals received by the department pursuant to this section shall be  
789 available for public review six months after department approval or  
790 rejection.

791 (c) The Department of Public Utility Control shall publish requests  
792 for proposals under this section in one or more newspapers or  
793 periodicals, as selected by the department, and shall post such request  
794 for proposals on its web site. The department may retain the services  
795 of a third-party entity with expertise in the area of energy procurement  
796 to oversee the development of the requests for proposals and to assist  
797 the department in its approval of proposals pursuant to this section.  
798 The reasonable and proper expenses for retaining such third-party  
799 entity shall be recoverable through federally mandated congestion  
800 charges, as defined in section 16-1 of the 2008 supplement to the  
801 general statutes, which charges the department shall allocate to electric  
802 distribution companies in proportion to their revenue.

803 (d) Any person, other than an electric distribution company,  
804 submitting a proposal pursuant to this section shall include with its  
805 proposal a draft of a contract that includes the transfer to the electric  
806 distribution company of all rights to payment or assignment of credits

807 related to the facility, including, but not limited to, energy, installed  
808 capacity, forward reserve capacity, locational forward reserve capacity,  
809 environmental credits and all other similar or ancillary products  
810 associated with such proposal. The draft contract shall also include  
811 compensation based on cost-of-service and security for ensuring  
812 performance of the contractual obligations. No such draft of a contract  
813 shall have a term exceeding fifteen years. Such draft contract shall  
814 include such provisions as the Department of Public Utility Control  
815 directs.

816 (e) An electric distribution company shall enter into contracts to  
817 implement those proposals approved pursuant to this section, and  
818 shall apply to the Department of Public Utility Control for approval of  
819 each such contract. After thirty days, either party may request the  
820 assistance of the department to resolve any outstanding issues. No  
821 such contract may become effective without approval of the  
822 department. The department shall hold a hearing that shall be  
823 conducted as a contested case, in accordance with the provisions of  
824 chapter 54 of the general statutes, to approve, reject or modify an  
825 application for approval of such contracts. Such a contract shall contain  
826 terms that mitigate the long-term risk assumed by customers. No  
827 contract approved by the department shall have a term exceeding  
828 fifteen years. The electric distribution company shall recover all  
829 reasonable costs incurred in implementing this section, including all  
830 costs incurred as a result of such contracts, through nonbypassable  
831 federally mandated congestion charges.

832 (f) Projects approved pursuant to this section are eligible for  
833 expedited siting through a petition for declaratory ruling pursuant to  
834 subsection (a) of section 16-50k of the general statutes. The provisions  
835 of section 16a-7c of the general statutes shall not apply to projects  
836 approved pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	16-244c
Sec. 7	<i>from passage</i>	New section

**Statement of Legislative Commissioners:**

References to "section 11 of this act" were removed in two places for internal accuracy. In subsection (j) of section 1, a reference to liability or accountability in connection with "any person executing the bonds or notes of the authority" was deleted for internal consistency. In subdivision (5) of subsection (c) and subdivision (1) of subsection (d) of section 6, "January 1, 2008" was changed to "January 1, 2009" for accuracy. In subsection (a) of section 7, a reference to "section 55 of this act" was changed to "section 16a-3a of the 2008 supplement to the general statutes".

**ET**            *Joint Favorable Subst.-LCO*